

April 23, 2008

To: The Board of Governors of the Federal Reserve System  
20th Street and Constitution Avenue NW,  
Washington, DC 20551

Dear Members of the Board of Governors,

First, let me say that overall I am impressed with the efforts of the Federal Reserve System and the Treasury Dept. to address the financial challenges faced by our country today. Though I may have reservations about some policies, I generally feel very fortunate that we have your guidance and leadership, to navigate the serious financial dangers of our times.

That said, I feel that it is important to fully recognize one of the less technical, yet potent and very contemporary threats to the financial health of our nation. It is one of the great misfortunes of this country that as a nation we are driven by a culture of immediate gratification. This is certainly no fault of the Federal Reserve Board. Nevertheless, it plays a central role in our contemporary business culture, consumer culture and hence in our economy as a whole. As a society, we develop and constantly reinforce the idea that 'today is the only thing that matters!' It is bad enough that millions of consumers have been making important and frankly powerful decisions affecting themselves, their families, their communities and the national economy as a whole, on the basis of careless, misguided and irresponsible efforts to understand the meaning and consequences of their own financial decisions. The most obvious example of this trend is our recent national experience with mortgage borrowing. Far worse however is the fact that our nation's corporate financial leadership actually encouraged and participated in this behavior themselves to a degree that was reckless, largely self destructive and socially destructive. Most alarming is that this pattern was indulged/endorsed/shared/suffered by players with perspectives on all levels: their customers, their employees, their shareholders, their own professional careers, not to mention the national financial system at large. Let me reiterate the critical fact that many of these players on all levels are the victims of their own clearly short-sighted choices and the choices of other like-minded players. Meanwhile, the rest of the country is also paying the price, and may pay a far greater price in the future. The key question is, "Why did our nation at large follow these morons into the pit of failure they were working so hard to create for themselves and everyone else?" While you are not empowered to simply issue new Fed Policies to resolve the defects in American culture, there are ways in which you can have an important and positive impact upon our financial business culture in the near and on-going future:

Today's 'corporate shareholder' culture endorses stockholders' views that they should not only expect, but in fact feel entitled to and DEMAND financial performance that is substantially above average in the present and/or next financial quarter. The simple fact that it is mathematically impossible to reward everyone above average in order to satisfy this appetite, seems to be irrelevant to their conception of the world. Their conception of foresight is that 'this expectation should be enforced endlessly into the future, as a financial principle'.... This in turn causes endless turmoil on Boards of Directors and in the Management Suite across the spectrum of financial and other businesses in the US, as they and too many Corporate Board Members pursue their relentless demands for immediate above average profits and/or other gains. Agendas are constantly changing, while managers come and go, as the political winds keep coming from entirely new directions that have never existed before. Meanwhile, employees struggle to keep their heads above water so they can try to figure out what is going on and actually attempt to accomplish something useful before another new "strategic vision" arrives to render all of their previous work, time and efforts irrelevant. In the meantime, long term planning and investment, the expectation of accountability and the provision for risks are all perceived as relics of the time when people drove around in Model T autos. They are viewed as backward, stodgy, boring, idiotic, myopic and most of all - very un-cool!

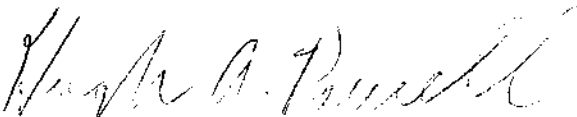
I encourage you to establish policies that undermine the short-sighted and narrow-minded focus on quarterly reports as the defining measure of financial success - because they are not. This obsession with quarterly reports completely ignores the essential role of preparing for and fulfilling sustained success for the long-term. The pursuit of long-term success is not only essential for the on-going success of businesses, it is critical in reinforcing the future of our financial system and national economy for present and future generations. Furthermore, I particularly encourage you to implement policies that hold individuals, on all levels, responsible and accountable for their financial actions today, tomorrow and into the undefined future.

When the financial industry was able to resell entire mortgage loans in the open market, repackaged as commodities, the responsibility of the loan-issuing-employee and that of his/her employer was severed. Simply stated, because the present was the only relevant time frame, they did not care whether or not the borrower was going to repay the loan in the future. Future repayment was irrelevant to their conception of success as mortgage brokers! Their initial risk had been dumped on the open market. It was really not their problem.... Aside from the past several years, at what points in the long history of banking have lenders been uninterested in the matter of a borrower's willingness and ability to repay their loan? Why and how did the concern for repayment suddenly become so completely 'obsolete'?

As a nation, we cannot have a successful and competitive financial system, if all parties to the transactions that sustain that system only have interests in the immediate gratification of their present actions. Banking and Finance are inherently concerned with success in the long term. If the players don't care, don't maintain well focused attention to and don't participate in the pursuit of success of long-term transactions and on-going business relationships, our country's financial system will fail. How can there be success if no one is committed to sustaining it?

Some would assume that I am writing to ask you to tighten regulatory oversight. Surely, appropriate, wise and well considered regulation is absolutely essential to the success of your efforts. Meanwhile, regardless of the volume of regulations mandated and enforced, a key element driving the success or failure of your present efforts will be your ability to sway our current financial culture away from the short-sighted mentality to 'cash-in' on the latest trends. Instead, our financial system needs a broader and stronger focus on building and maintaining sustained success. Central to this focus, people at all levels must know and feel that they are going to be held responsible and accountable for the success or failure of their decisions into the future, with financial, legal and personal repercussions to be expected henceforth.... Most important of all, they must feel that they carry this responsibility as part of their on-going relationship with their employers, on the job everyday. Too often, individuals feel the true weight of rules, regulations and the law during investigation, trial and punishment - that is long after their deeds and the resulting damage have already been done.

I thank you for your attention to my letter and offer you my best wishes for your continuing success as you address the financial challenges of this nation.



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